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COMPTROLLERSHIP IN THE NAVY MEDICAL ACTIVITY SETTING; AN EVALUATION OF THE PILOT-STUDY AT THE NATIONAL NAVAL MEDICAL CENTER, BETHESDA, MARYLAND

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COMPTROLLERSHIP IN THE NAVY MEDICAL ACTIVITY SETTING--AN EVALUATION OF THE PILOT-STUDY AT THE NATIONAL NAVAL MEDICAL CENTER, BETHESDA, MARYLAND

by

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A thesis submitted to the faculty of the College of General Studies of The George Washington University in partial satisfaction of the requirements for the degree of Master of Arts

June 5, 1963

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PREFACE

This paper is a report on my investigation of the pilot-study in Comptrollership being conducted at the National Naval Medical Center, Bethesda, Maryland. I have concentrated upon organization and organizational relationships in large part because these areas provided the greatest contrast to the organization for financial management found in other Navy medical activities. Where I have gone beyond this area it has been to reinforce my comments upon the basic area of organization and the functional responsibilities attendant in the positions of the Comptroller unit.

In order to make this report meaningful to other than students of financial management, I have attempted briefly to introduce the concepts of comptrollership and their development with particular emphasis upon the military services. I realize that I have raised more questions than I was prepared or equipped to answer; however, I have attempted to be as objective in my evaluation as possible and this objectivity in questioning organizational relationships can possibly provide management at the Center with points for reflection.

I wish to take this opportunity to extend my appreciation to Commander B. H. Hunt, Medical Service Corps, U. S. Navy, the Comptroller and Head of the Fiscal and Supply

Department of the Center Command, for allowing me to intrude upon his time and organization in collecting the information used in this report. I also wish to thank Mr. Jack Sanders, the Deputy Comptroller, and the remainder of the Comptroller's staff for their invaluable assistance during the course of my research.

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CHAPTER I

INTRODUCTION

Title IV of the National Security Act of 1947, approved by the President in 1949, among other fiscal reforms established comptroller organizations within the Department of Defense.[1] Entitled, An Act to Provide for the Promotion of Economy and Efficiency Through Establishment of Uniform Budgetary and Fiscal Procedures and Organization, the bill directed the establishment of a Comptroller for the Office of the Secretary of Defense and a Comptroller in each of the three military Departments to carry out the objectives of the Act.[2] The provisions of the Act were a direct outgrowth of the recommendations of the first Hoover Commission pertaining to the National Military Establishment.[3] The report of the Commission contained recommendations concerning organization, policy, budgeting, accounting, personnel, and integration of National Defense.[4] While not explicitly recommending a

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[1]Title IV, Public Law 216, 81st Congress.

[2]Ibid.

[3]Commission on Organization of the Executive Branch of the Government, Public Law 162, 80th Congress.

[4]Report Number 8, House of Representatives Document 84, 81st Congress.

Comptroller organization, the report highlighted many discrepancies in the Military Establishment that Congress believed could best be remedied by a reorganization of the financial management organization of the Department of Defense and its components.[5]

The Navy Training Publication, Financial Management in the Navy, outlines as follows the tasks that faced the Department of the Navy at the time of passage of Title IV:

> (1) bringing together and integrating within one organization the various fiscal functions being performed at different organizational locations throughout the Department;
>
> (2) implementing functions where relatively little progress had been made, such as internal auditing and the establishment of working capital funds at industrial or commercial-type activities;
>
> (3) improving policies and procedures in all areas of financial management; and
>
> (4) placing increased emphasis on the analytical and interpretative functions of comptrollership as a service to management.[6]

While Title IV did not direct the establishment of comptroller organizations below the Department level, implementation of a full range of financial management practices throughout the Navy has brought into being organizations of

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[5] Committee Hearings on Senate Bill 1269 and 1843, and House of Representatives Report 5632, culminating in Public Law 81-216.

[6] Financial Management in the Navy, (NavPers 10792-A), prepared by the Bureau of Naval Personnel, Navy Department, Washington, D. C., 2nd ed. 1962.

this type down to the activity level. The Secretary of the Navy on 1 June 1950, directed the establishment of Comptroller organizations in all of the bureaus and major offices of the Navy Department.[7] On 18 November 1953, the Secretary further provided procedures for the organization of comptroller activities at major commands in addition to the organization at the Bureaus and Offices.[8] The decision as to whether a comptroller organization shall be established at a particular field activity rests with the bureau charged with management responsibility.[9] The bureaus involved have each formulated separate regulations as to the procedure to be followed in establishing a comptroller function. In some cases the decision has been delegated to the commanding officers of field activities. In other cases the decision rests with the management bureau, but requests for establishment of a comptroller type organization are entertained from field commanders. The Chief of Naval Operations, for example, has directed activities under his management control to establish comptroller organizations when the commands meet a prescribed

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[7] Secretary of the Navy Instruction.

[8] Secretary of the Navy Instruction 5400.4 of 18 November 1953, Subject: Establishment of Comptroller Organizations in Bureaus, Headquarters, Offices and Field Activities of the Navy and Marine Corps.

[9] Ibid.

criteria as to size and fiscal activity.[10] Other commands under the control of the Chief of Naval Operations are directed to determine whether a comptroller should be designated as a collateral duty or whether a full-time organization should be established.[11] The Bureau of Naval Weapons has established procedures similar to those of the Chief of Naval Operations for establishment of comptroller organizations at activities under their management control.[12] At the present time comptroller organizations have been established at all naval shipyards; all naval district headquarters; major naval air stations; naval ordnance plants, ammunition depots, and other ordnance field activities; naval supply centers, depots, and training centers; various research laboratories; major Military Sea Transportation field activities; and many other installations.[13]

While the Bureau of Medicine and Surgery has not issued instructions on the establishment of comptroller

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[10] OpNav Instruction 5450.61 of 11 June 1959, Subject: Establishment of Comptroller Organizations and Functions at Naval Stations under the management control of the Chief of Naval Operations.

[11] Ibid.

[12] Bureau of Aeronautics Instruction 5451.11B of 10 May 1957, Subject: Establishment of Comptroller Organizations and Functions at Naval Aeronautical Shore Activities.

[13] Financial Management in the Navy, p. 11.

organizations at its field activities, a formal comptroller organization exists at the bureau level. The bureau has further attempted to direct its activities attention to the implications of comptrollership and require that within their means, the concepts of comptrollership be practiced in the day-to-day management of the financial affairs of the field activities.[14] The Bureau of Medicine and Surgery has granted authority to the National Naval Medical Center, Bethesda, Maryland, to conduct a one-year trial of a comptroller organization at that activity. Appendix A is a copy of that authority. This report will discuss the organization and functions of that trial organization and the benefits which have accrued to the Medical Center through its installation.

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[14] Financial Management Handbook, (NavMed P-5020), Comptroller Division, Bureau of Medicine and Surgery, Department of the Navy, Washington, D. C., 1961.

CHAPTER II

DEVELOPMENT AND CONCEPTS OF COMPTROLLERSHIP

The stated responsibilities of the comptroller are as varied as the authors who have written on the subject. There is a wide range of opinions both on the functions of the comptroller and the organizational relationship of the functions. There is a basic consensus that the comptroller provides a staff service to all echelons of management, but the methods whereby this is to be accomplished are numerous. Before discussing the comptroller function at the National Naval Medical Center it might be well to investigate these various opinions.

The mainstream of comptroller evolution flows directly from the accounting function as practiced in private industry through the years. This outgrowth from accounting provides the base of the range of functions known as comptrollership today. Organizations entitled "comptroller" exist today in industry, which are responsible solely for keeping company books of account.[1] At the other end of the range there are senior operating executives, far removed from the accounting functions of the organization, that bear the title of

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[1] Thornton F. Bradshaw and Charles C. Hull, Controllership in Modern Management (Chicago, Illinois: Richard D. Irwin, Inc., 1950), p. 15.

comptroller.[2] In view of this wide range of organizational entities the use of the word comptroller only to a limited extent describe the functions performed.

The one factor in common to these various organizations is the dependence upon financial information to perform the functions assigned. In the case of the purely accounting assignment, fiscal data generated by corporate operations are the limits of the function. Comptrollers at the other end of the range of functions depend upon a variety of data, both internal and external to the corporation, to perform their assigned responsibilities. While in the latter case purely financial information is not the sole concern of the comptroller, he attempts to provide a common denominator of fiscal expression to denote the impact of all factors upon the financial affairs of the organization.

Another common range of functions observable in the organizational relationship of the comptroller function is the degree of managerial participation performed by the person entitled comptroller. The pure accountant's participation is limited to the statements of account provided to management while the top echelon comptroller is found performing an analytical function and rendering top management decisions. The viable organization will contain most, if not all, of the comprehensive comptroller functions somewhere in the organization whether they are centralized in a formal comptroller unit

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[2] Ibid.

or are performed in various separate units. How the functions are organized is of lesser importance than whether the functions are performed; however, certain benefits are obtained by their close coordination.

If we limit ourselves to considering the comptroller as performing a staff advisory function to the organization and exclude the purely accounting comptroller as atypical to the modern concept of comptroller, it is possible to develop a fairly representative group of functions which can be labeled as comptrollership. One author states "the collection, analysis, interpretation, and presentation of management information are generally grouped under the term controller function."[3] Another author indicates that,

> the controller who has achieved management status performs the figure collecting, performance checking duties of the accountant but in addition he brings figures to bear where and when they will do the most good--within the management process and before the decision is made.[4]

D. P. Jones looks at the comptroller function as consisting of two separate facets: the control aspect and the service aspect.[5] Control includes the safeguarding of assets,

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[3] Russell H. Hassler and Neil E. Harlan, Cases in Controllership (Englewood Cliffs, N. J.: Prentice-Hall, Inc., 1958), p. 1.

[4] T. F. Bradshaw, Developing Men for Controllership (Boston, Mass.: Division of Research, Graduate School of Business Administration, Harvard University, 1950), p. 7.

[5] Donald P. Jones, "A Controller's Responsibilities," American Business (October, 1958), p. 62.

accounting systems integrity, and the budget control system, while the service aspects include the furnishing of data to operating officials, compiling specific analyses on request, and providing decision alternatives upon request.[6] While this author visualizes the comptroller as being separate from the accounting function, and dictating and controlling the various records that are maintained, there is little unanimity in this concept even among those who see the comptroller as a top echelon member of management. Professor Mosher outlines the functional areas of comptrollership as including the following: accounting, as the core function, including general and cost accounting and accounting policy; budgeting and budgetary control; internal auditing; reporting, statistics, and forecasts; office service functions; tax returns; and legal work in the financial field.[7] These specific functions are considered as the platform upon which the broader role of the comptroller is performed in the area of coordination, planning, and control.[8]

The clearest statement by the Navy Department of the comptroller is provided by the Bureau of Naval Personnel in the training publication, Financial Management in the Navy.[9]

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[6] Ibid.

[7] Frederick C. Mosher, Program Budgeting (New York: American Book-Stratford Press, Inc., 1954), p. 200.

[8] Ibid.

[9] Financial Management in the Navy (NavPers 10792-A), prepared by the Bureau of Naval Personnel, Navy Department, Washington, D. C., 2nd ed. 1962.

It states that, "comptrollership is that function of the total management job that deals with the financial areas of an organization--with those analyses, forecasts, records, reports, and procedures that have a bearing on the organization's financial status in relation to its mission or goal."[10]

From these various concepts it is possible to develop a central theme of the function of the comptroller. It is perhaps needless to say that comptrollership is not synonymous with financial management. Financial management is a broader expression which encompasses diverse financial responsibilities throughout any organization. The comptroller performs a function within the total concept of financial management, but many other individuals are involved in this effort. Financial management is primarily a top management responsibility with various degrees of authority delegated to lower line and staff echelons. The primary delegation to the comptroller in the financial management area is the requirement placed upon him to provide top management with the information necessary to make financial decisions.

The communication function is the essence of comptrollership. The comptroller performs an information facilitating function to all echelons of management concerned with the financial affairs of the organization. He performs this function through the structuring and maintenance of

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[10] Ibid., p. 17.

financial lines of communication. The product of this service is factual information expressed in monetary terms upon which management can make decisions on both financial and other matters.

T. F. Bradshaw notes that "a modern business of any substantial size cannot be managed intelligently without a continuous and organized flow of information about the environment in which it functions, its operating plans, and the actual results of its operations."[11] And further, "it is in organizing and maintaining this flow of information that controllership can make its most significant contribution to executive management."[12] A more detailed expression of this aspect of the comptroller's function is as follows:

> The more important and delicate tasks the controller must perform have to do with advising the president and other executives on the broad, over-all picture of the enterprise; coordinating basic plans and budgets; preparing and issuing special control reports; and standardizing methods of accounting and other procedures. Note the predominantly informational character of each of these responsibilities.[13]

One of the most important aspects of the comptroller's communications facilitating functions is the degree of coordination which is accomplished through the process. The day-by-day collection of facts and figures from the operating

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[11] Controllership in Modern Management, p. 47.

[12] Ibid.

[13] Arnold F. Emch, "Control Means Action," Harvard Business Review (July-August, 1954), p. 45.

organization and the integration of this data into management reports provide the comptroller with an intimate knowledge of the organization. The acquisition of this detailed knowledge of the goals and objectives of top management, combined with the resource information available to the comptroller, allow him to provide all echelons of management with the information they need to know to successfully perform their operations.[14]

The specific organization for comptrollership depends upon the functional level upon which management wishes the unit to operate. As will be pointed out in the next chapter, comptrollership at the National Naval Medical Center has been raised to an intermediate level in the terms of ranges of responsibility which have been presented. In order to limit discussion at this point there is disregarded the concepts of comptrollership which include the functions of actual decision-making on a top management level and that concept at the other end of the scale where the functions include routine data-collection only.

Anderson and Schmidt present the "ideal" comptroller organization, in the range of which we are speaking, as including the organizational sub-entities of accounting operations, systems and internal audit, tax and other legal

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[14] Bradshaw, Developing Men for Controllership, p. 15.

reporting, and budget analysis--forward planning.[15] Tax reporting can immediately be eliminated because of the military context of this report. The other facet of this function, "other legal reporting," should properly remain as a functional area of military comptrollership. As has been indicated above, accounting operation as a functional area of comptrollership is open to discussion and will be treated later in this report. The same is true with regard to the organizational arrangement for both systems and internal audit. Perhaps the only areas of substantial agreement are those of budget, analysis, and forward planning--these meet, without question, the informational character of comptroller work.

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[15] David R. Anderson and Leo A. Schmidt, Practical Controllership (Revised Edition; Homewood, Illinois: Richard D. Irwin, Inc., 1961), pp. 99-101.

CHAPTER III

ORGANIZATION OF THE NATIONAL NAVAL MEDICAL CENTER

The National Naval Medical Center is composed of seven component commands and the Center command. The component commands derive their status from specific program objectives of the Navy Medical Department. The seven component commands are: the Naval Hospital, the Naval Medical Research Institute, the Naval School of Hospital Administration, the Armed Forces Radiobiology Research Institute, the Naval Medical School, the Naval Dental School, and the Navy Toxicology Unit; each is organized along departmental lines under the direction of a Commanding Officer or an Officer-in-charge.[1]

The Center Commander provides a coordinative function for the components through command direction and the provision of staff facilitating services. The basic organization of the Center command is with departmental lines reporting to an Office of the Commanding Officer. This Office consists of the Commanding Officer, an Admiral in the Medical Corps of the Navy, and a Deputy Commanding Officer who is also a member of

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[1] Manual of the Medical Department, U. S. Navy, (P-117) (Washington, D. C.: U. S. Government Printing Office, 1952), Chapter 13, Section 1.

the Medical Corps, and who, while performing these duties collaterally, is the Commanding Officer of the Naval Hospital command. The Administrative Officer, the third member of the Office of the Commanding Officer, a member of the Medical Service Corps of the Navy, performs the dual function of serving as a staff advisor on administrative matters to the Commanding Officer of the Center and overseeing the staff administrative departments of the Command.[2]

In addition to the staff departments organized within the Center Command, various special standing boards and committees, along with special staff advisors, report to the Office of the Commanding Officer. Among others, the Comptroller is in the category of special staff advisor. Frequently these advisors have additional duties within the organization, such as department or division heads, placing them in a position of having dual access to the Office of the Commanding Officer. As we shall see the Comptroller as head of the Fiscal and Supply Department is in this category. The practical purpose of this dual arrangement is to provide the special assistants direct access to particular members of the Office of the Commanding Officer in matters concerning their staff capacity rather than following the circuitous routes of the "chain-of-command."

The departments of the Center Command, as stated

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[2] Ibid.

before, provide staff facilitating services both to the Center Command and the component commands. These staff services may be described as either of an advisory or a logistic nature. Appendix B lists these service departments, but for the benefit of readers who are unfamiliar with naval hospital organizations it might be well to define the duties of various of these organizations which might be considered as having obscure titles. The Navy Exchange Department, for example, is concerned with the retail sale of personal commodities or services on an individual basis to persons authorized by Navy Regulations. The Special Services Department provides welfare and recreational services both to the hospital patients and to the staff. The Operating Services Department provides staff services in various categories, such as housekeeping, elevator and laundry services, supervision and direction of custodial and linen services and control.[3] The titles of the other departments are self explanatory for purposes of this report. Appendix E, The Organizational Chart of the National Naval Medical Center, provides a graphical presentation of the organizational arrangement of the Command.

The financing of the missions of the various component commands is accomplished from funds provided by allotments to the Center Commander. These direct allotments are awarded to the command from both the Operation and Maintenance, Navy

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[3]Organization Manual, National Naval Medical Center, Bethesda, Md., 1961, p. 121.

appropriation and the appropriation for Research, Development, Test, and Evaluation, Navy. In addition, Reimbursable Work Orders are issued from time to time for specific work projects to be accomplished by the Center for activities not designated in the wording of the basic allotments. The Center Commander directs specific funds to the component commanders as program managers for their respective activities. This targeting of funds does not relieve the Center Commander of his personal responsibility for the acts of his subordinates in the use of these funds; however, it does provide the program managers with the means to accomplish their designated missions. The Comptroller, as the appointed administrator of all funds awarded the Center Command, is responsible to the Center Commander for insuring that the application of funds is in accordance with the laws and regulations pertaining to appropriated monies.[4]

The Center Command and its component commands are presently financially supported by seventy-five separate allotments, project orders, or work requests, all flowing through the Center Command, accounted for by the Fiscal Division of the Center, and administered by the Comptroller. Total funds involved approximate twelve to fourteen million dollars with statistical charges of about four million dollars each year for military pay. About three million dollars of the actual financed funds are allotted from the Navy Research and Development appropriation, while reimbursable work orders

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[4]National Naval Medical Center Instruction 7600.2A dated 30 June 1962.

provide an additional one to two million dollars. The remainder of the funds is provided from Operation and Maintenance, Navy, to support the basic mission of the command.

The Comptroller organization at the Medical Center was established on the first of July, 1962, as a pilot study by the Bureau of Medicine and Surgery. This establishment resulted from the request by the bureau for suggestions as to means to improve financial management at bureau controlled activities. The original intention was that the Comptroller organization would be separate from the Fiscal and Supply operation to allow the Comptroller to devote his undivided efforts to the functions of budgeting, planning, analysis, and review. Problems of staffing prevented this from being accomplished, so the Comptroller remains as the Head of the Fiscal and Supply Department, with the intention that the functions will be separated upon approval of the Bureau for continuation of the program on a permanent basis.[5] At this time the Comptroller organization will function solely as a special assistant to the Commanding Officer's Office with line administrative responsibility only for the contained, comptroller organization as presented in Appendix B. A more complete visualization of the present organization, with the complex and diversionary responsibilities of the Comptroller,

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[5] National Naval Medical Center, Bethesda, Md., letter 5400, Serial 6130, dated February 15, 1962.

is provided by Appendix C, an organization chart of the combined Comptroller-Fiscal and Supply Department. The next chapter will discuss the organization of the Comptroller's office in detail and provide a functional breakdown of that organization.

CHAPTER IV

ORGANIZATION AND FUNCTIONS OF THE CENTER COMPTROLLER

The Comptroller, as a member of the Center Command staff, is charged with the responsibility of providing a continuous, well-organized and complete staff service of factual information relative to the financial affairs of the Medical Center.[1] As a staff service it includes the technical guidance and coordination of budget formulation, preparation, and execution; the development of data collection systems for financial progress reporting and objective program performance analysis; and the maintenance of a program of internal review and assistance.[2] The basic responsibility of the Comptroller, as outlined by the Commanding Officer of the Medical Center, is to assure that the requirements for sound financial management of the Center Command and its component commands are followed.[3]

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[1] National Naval Medical Center, Bethesda, Maryland; Instruction 5400.5, dated 25 June 1962; subject: Comptroller Organization at the National Naval Medical Center, Bethesda, Maryland.

[2] Ibid., p. 1.

[3] Ibid., p. 2.

The organization for comptrollership at the Medical Center is based upon the two general functional areas of financial analysis and internal review. As we shall see, these are not limiting functions but broad areas of responsibility which encompass many areas of comptrollership as described in the previous chapter. The two core areas provide the basis for the comptroller functions as described in the Commanding Officer's establishing instruction.[4]

Appendix C, the organization chart of the Comptroller-Fiscal and Supply Department, reveals the unique arrangement which presently exist. It depicts the functional relationships of the Comptroller with the various resources and data generating divisions of the Fiscal and Supply Department. The closed circle relationship indicated by the dotted line between the Deputy Comptroller and the Fiscal Division is unusual, but it serves a useful interim function of providing continuum in the transitional period. As stated before, the lack of a complete break between the fiscal functions and comptrollership was dictated by staffing requirements. The establishment of the pilot study included the proviso that the staff of the Comptroller be obtained from presently existing positions with no addition to manpower ceilings. The reorganization of the department required essential upgrading of employees and a program of on-the-job instruction of new position holders by

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[4] Ibid., p. 1.

members of the Comptroller's group. This was particularly the case with the Deputy Comptroller, who had been the head of the Fiscal Division.

What may be another advantage has developed from this arrangement. With the decision to leave the fiscal functions in an organization separate from the Comptroller unit--an arrangement discussed as controversial in Chapter II--there has been no immediate need to test the efficacy of the Comptroller's responsibility for prescribing accounting systems. I believe an abrupt split of the functions would have placed a strain upon informal organizational relationships that only stern measures could have resolved. As it has worked out, there is a smooth transition taking place with the various sub-functions of accounting systems design, operation of the systems, and the reporting of financial performance each falling into its designated organizational positions.

The basic instruction establishing the Comptroller organization notes the complex nature of the operations of the Center, and its component commands and the requirement for the Center Commander to have analytical information that treats the Command as an integrated whole rather than as a group of separate parts.[5] As a supplier of this type of information to top management, the Comptroller organization is designed as a functional entity directed toward this analytical objective.

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[5] Ibid., p. 2.

More specifically, the financial analysis segment of the organization is devoted entirely to this function, with the internal review segment providing support to the analytical tasks through its systems review and design facilitating functions.

The financial analysis function is performed under the direction of the Comptroller and his Deputy in a Branch division of the Comptroller unit. Formally entitled the Budgetary and Program Performance Analysis Division, the unit contains two civilian positions, one designated as Budget Analyst and the other as Statistical Clerk. Only one position, the Budget Analyst, is occupied at the time of this writing, but the other, is actively being recruited. As is the case throughout the organization, the full functioning of the unit has been hampered by the transitional requirement for the Budget Analyst to provide instruction for her replacement in the Fiscal and Supply Division. This requirement has largely been resolved and the primary functions of the unit should be more actively engaged in as each day passes.

The overall functional description of the Budgetary and Program Performance Analysis Division specifies that the unit develops and recommends reporting systems for collecting and integrating cost and work measurement (workload and man-hour) data to facilitate staff analysis of the effectiveness of money, material, and manpower utilization.[6] The specific

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[6]Change I to the National Naval Medical Center Organizational Manual, National Naval Medical Center Instruction 5400.1C, p. 137.

task assignments for the Head of the unit include:

(a) Provides guidance and instructions for the preparation of the commands budgetary estimates.

(b) Reviews budget estimates submitted by commands or departments, and recommends approval, revision, or disapproval of items or estimates to the Commanding Officer.

(c) Assist in preparation of commands' and department's budget estimates and justifications.

(d) Prepares operating budget reflecting approved program plans and schedules.

(e) Controls fund authorization to the Center, and recommends revisions, modifications, or reprogramming as appropriate to higher authority.

(f) Recommends allocation of civilian personnel to departments and programs within the Center.

(g) Reviews program performance against the funding plan, analyzes overhead variances and other deviations therefrom, and recommends remedial action where appropriate.

(h) Examines workload, cost, and personnel utilization trends and analyzes variances from plans; recommends remedial action, if appropriate, when variances are excessive.

(i) Initiates plans for the control of commitment, obligations, and expenditure of Center funds; recommends appropriate internal reports to show rate of progress in utilization of funds.

(j) Prepares charts, graphs, and other recurring progress reports which reflect status of major programs for distribution to top Center management; singles out and highlights problem areas.

(k) Provides a central review and coordination point for data and reports concerning financial management, personnel utilization, Center's performance related to man-hour or dollar planning estimates or to standards, and work measurement.

(l) Monitors the operation of the Work Measurement Program and prepares summary work measurement

reports both the Center's use and for submission to BuMed.

(m) Assists the Comptroller in justifying the Center's budget before higher echelon reviewing authorities.[7]

The direct responsibility for these assignments is to the Deputy Comptroller.

The described responsibilities are quite sophisticated in relationship to the organization as it presently exists; however, the responsibility assignments are attainable and should be realized as the life of the organization is extended. A step by step implementation of the various functions is taking place as the total concept of comptrollership is being recognized at the Center Command. There is still an over-emphasis upon reports required external to the command. These may be considered only as supplementing the information required by local management and are mainly historical in nature, providing little "real-time" operational data for management. Interestingly enough, most of the time required for preparation of these external reports can be described as devoted to compilation of figures developed outside of the Comptroller organization. The compilations are largely routine and lend themselves to machine programming which is beyond the capability of the tabulating equipment presently installed at the Command, but it is well within the capability of the next

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[7] Ibid., pp. 137-138.

generation equipment planned for the activity.

Much of the internal analyzing and reporting yet to be developed within the scope of the Budgetary and Program Performance Analysis unit will no doubt also lend itself to machine routinization. The virtue of the unit's slow development may well be that systems analysis can parallel the institution of new procedures. It is in the financial analysis area of comptrollership that the greatest degree of flexibility is called for because of the varying nature of demands for information. The concurrent development of machine programs--the play-back between developing procedures and systems analysis--should avoid the natural tendency to set the analysis function in concrete. A recommendation that I would make in this area is that systems analysis, with a view toward the development of machine applications, be integrated with the design of the analytical functions of the unit. It is this section, the Budgetary and Program Performance Analysis unit, which has the greatest potential for becoming the core of the information system of the whole command.

The full development of the functions of the analysis unit depends upon the formation of useful standards of measurement of the varying activities of the Command. This is one of the greatest areas of concern to the Comptroller, both in his analytical and internal control responsibilities. There is no ready solution to this problem, but it is being actively worked upon both within the Command and at the Bureau level.

The other major function of comptrollership as practiced at the Medical Center centers upon the organizational unit entitled the Internal Review and Fiscal Systems Division. The general assignment of responsibility to the unit specifies the performance of special analyses in comptroller areas and the rendering of assistance in correcting deficiencies which are revealed by formal audits, reports, analyses, observation or other means.[8] The direct responsibilities are listed as follows:

> (a) Conducts studies, makes recommendations, develops where necessary, and assists in the installation of, local systems and procedures designed to improve the Center's financial management. This includes adaptation of prescribed BuMed or NavCompt procedures to local situations.
>
> (b) Develops and supervises programs of internal accounting control, including programs for administrative spot-verification of labor and material distribution or other accounting transactions as necessary.
>
> (c) Provides as necessary for reconciliation of interrelated records maintained in the Center's departments.
>
> (d) Assists in conducting audits of the Center's Nonappropriated fund activities.
>
> (e) Renders assistance in correcting deficiencies which are revealed from time to time by internal audits conducted by the Comptroller of the Navy and General Accounting Office, or by reports analysis, observation or other means.
>
> (f) Maintains liaison with, and provides assistance to internal auditors of the Comptroller of the Navy

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[8] Ibid., p. 135.

and General Accounting Office assigned to perform continuous or periodic audits.

(g) Coordinates preparation, review, and maintenance of Comptroller Department instructions and the Center's instructions on financial management and makes recommendations for changes thereto.[9]

The described position more specifically is responsible for internal reviews of fiscal procedures and related information systems. The more apt description of the function is internal auditing and design of fiscal related systems; however, the use of the word audit as a description of functional activity is severely restricted by the Secretary of Defense.[10] The Department of Defense does provide for review activities below the Department level when these activities are designed to serve as "trouble shooters" to make special analyses in comptroller and other areas, and to assist in correcting deficiencies which are revealed by audits, reports, analyses, observations or other means.[11] Semantically, the expression "review" carries a broader connotation than the term, audit, which implies a more explicit, disciplinarian function. For our purposes the expressions, review and audit, can be considered as synonymous.

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[9] Ibid., p. 135.

[10] Department of Defense Directive 7600.2, dated August 7, 1957; Subject: Department of Defense Audit Policies, p. 2.

[11] Department of Defense Instruction 7600.3, dated January 13, 1958; Subject: Department of Defense Audit Activities, p. 6.

The Internal Review and Fiscal Systems Division includes but one civilian position at present, with plans to expand the section to two, a Head of the Division and an Assistant. The Division reports directly to the Deputy Comptroller. The present situation is unique in that the incumbent of the position as Head of the Division had experience as a Navy Hospital Finance Officer during World War II. The position was recruited for outside of the Command so that the incumbent had no previous experience with the specific organization, nor does she have any binding instructional ties to the Fiscal and Supply Department. I would not propose that the recruiting pattern in this case serve as a model for another activity. The probability of obtaining an ex-finance officer, with experience in hospital systems, is highly remote.

The actual performance of reviews commence with a directive from the Comptroller specifying a particular area to be reviewed. The extent of the study and any imposed limitations or special points of reference are included in this directing memorandum. The reviewer refers to the standing directives pertaining to the area to be studied, preliminary to the actual on-site survey. During the course of the review the systems and procedures actually being followed are observed and pertinent documentation collateral to the function are audited. Following the on-site survey a memorandum to the Comptroller is prepared outlining the findings and any proposed recommendations. The Comptroller, in turn, comments on the

findings in formal or informal reports to the Office of the Commanding Officer and to the command or department involved. A follow-up survey is an integral part of the prescribed procedure.

The Internal Review and Fiscal Systems Division prepares procedural manuals which incorporate the findings of reviews conducted within the Comptroller-Fiscal and Supply organization. These manuals are designed to assist personnel involved in the various functions. Collaterally, these manuals provide a point of reference for future systems and procedure analysis. Functional reviews, to date, include surveys of the collection agent function, the commissioned officer's mess, the telephone office, and the shop store. Systems reviews performed, include: the staff and out-patient reports; the controlled maintenance program; and fiscal systems. These reviews have been comprehensive and appear to add a decided measure of control to the management functions of the entire organization.

The organizational design of the Internal Review and Fiscal Systems Division has proved to provide a high degree of compatability between the two functions of review and fiscal systems design. The reviewer's follow-up recommendations on systems improvement, as approved, provides a basis for the re-designing of the system. Again, this is a point of considerable controversy--the Institute of Internal Auditors believe that because of the need for complete

objectivity, the internal auditors should not develop procedures which they would be expected to review and appraise.[12] Because of the newness of the Comptroller organization at the Medical Center, it remains to be seen whether the advantages of the procedure outweigh the disadvantage noted by the Institute.

This gives rise to another notable feature of this facet of the Comptroller organization. The present description of the position, Head of the Internal Review and Fiscal Systems Division, provides that the subject of the reviews will be broad in nature, and that the only qualification for evaluation of a function will be the feasibility to reduce them into a dollar value. This is interpreted to include personnel, labor, utilities, supplies, material utilization, and material concepts. In the final analysis all aspects of the organization are subject to review under this mandate. One should not presume to criticize this theory as there are those with the concept that comptrollership is all-inclusive; however, the power dynamics of the particular situation must be determined to insure that the managerial value of the comptroller function is not lost in the political scuffle.

If one may use the expression, "maintenance of organization," as including the separate disciplines of internal audit, management analysis, and systems and procedure

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[12] Statement of Responsibilities of the Internal Auditor (New York: The Institute of Internal Auditors, Inc., 1957).

analysis, it is possible to view the particular situation as it exists. At the Center Command, a collateral duty of the Head of the Data Systems Division of the Fiscal and Supply Department, is Special Assistant to the Office of the Commanding Officer in matters pertaining to increasing management efficiency. This division is shortly to be reorganized as a department entity separate from the Comptroller and the Fiscal and Supply Department. Because of work-load factors the Special Assistant has limited his activities to systems and procedures analyses that are related to proposed machine data implementation. These studies have generally resulted from requirement imposed upon the command by external sources. There has been no attempt to extend the activities of the function into the more general areas of "maintenance of organization," or to go beyond the standard methodology of systems and procedures aimed at determining the feasibility of machine application.

Of course, each separate department and command, within the manager's responsibility, is performing the rudiments of "maintenance of organization" on an as needed basis, but there is no coordinative agency activity which crosses departmental and command lines. This vacuum will very quickly be filled by the broad mandate of the Internal Review and Fiscal Systems Division of the Comptroller's organization. Just how far this extension of activity will proceed will depend upon the individual personalities involved. A present

abdication of responsibility will not necessarily prevent a re-evaluation of the scope of assignment at a later time, with a consequent disruption of the organization. The broad subject of operational auditing or management review should be a matter of concern to management now, especially in the hospital environment of increasing costs and dollar limitations.

Having largely limited this study to the Comptroller organization it is impossible for the author to make a specific recommendation on this subject. The Center and its component commands have considerable management talent available with backgrounds in the various disciplines concerned with operational analysis. The method whereby this talent could be organized to deal with organizational and procedural studies and not neglect either the professional or administrative sides of the house is a thorny question. As the epitome of Navy clinical and research medicine the Medical Center has the responsibility to pioneer in this area. How this activity is to be organized should be the result of considerable research and study with consideration of the various methods presently being utilized by governmental agencies and private industry.

As stated before, this problem is beyond the scope of this study and is of interest only because of its implications to the Comptroller organization of the Center. There can be no question that the Comptroller is vitally concerned with management improvement, if for no other reason than the more efficient consumption of resources that may result. More

immediately, he is concerned with the management controls that the organizational systems afford and, even more directly, with the establishment of management standards. The Comptroller should be a key member of any organizational arrangement that is established to provide management improvement services to the Command.

One may be excused for a somewhat wide digression from the subject at hand, the Internal Review and Fiscal Systems Division. Two other areas of responsibility that should be discussed are the subjects of audits of non-appropriated funds and the responsibilities that attach to the position in the matter of external audits. The audit of non-appropriated funds are conducted by audit teams appointed by the Center Commander. The subject of these audits are mainly protective in nature and result in a formal report to the Commanding Officer. The Head of the Internal Review and Fiscal Systems Division is responsible for planning, organizing, directing, and coordinating of these audits, and the division has a further responsibility for interpreting the results of the audit for command consideration.

External audits and inspections of the command arise from three main sources; payroll, comprehensive, and special audits by the General Accounting Office; similar audits conducted by the Comptroller of the Navy through the Area Audit Offices; and, inspections conducted by the Inspector-General

of the Navy and the Bureau of Medicine and Surgery.[13] The responsibilities of the Internal Review and Fiscal Systems Division in these audits and investigations includes the preliminary procedures necessary to prepare the activity for the scheduled visit. During the course of the audit or inspection the Division coordinates data for the team and arranges schedules to insure the availability of personnel and records. The division, further, coordinates follow-up action on the audit or inspection recommendations. As the person most familiar with the overall control system of the Command, the head of the division is the most likely person to provide this coordinative function. It was only in the latter portion of my study that the first visit by an audit team was conducted since the assignment of these responsibilities. At the time of this writing the audit by a Navy Area Audit Office is still in progress, and while it appears that the division is providing a valuable contribution to the success of the audit it would be premature to attempt an evaluation. I might mention that the head of the division is preparing the weekly report to the Bureau of Medicine and Surgery on discrepancies noted by the audit team.

The position of Deputy Comptroller carries the billet title of Administrative Special Assistant to the Comptroller.

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[13] Financial Management Handbook (Washington: Department of the Navy; Bureau of Medicine and Surgery, 1961), Chapter V, Parts 1 and 2.

It is a civilian position, and, as mentioned before, it is occupied by the previous Head of the Fiscal Division of the Fiscal and Supply Department. This previous position is comparable to the senior civilian billet of any Naval Hospital, Fiscal and Supply Department.

The general functional duties of the Deputy Comptroller include the responsibility to the Comptroller for the direction and coordination of all matters pertaining to financial management within the Medical Center complex.[14] The specific functions include:

> (a) Reviews and analyzes planned personnel and workload to coordinate financial estimates with personnel and workload.
>
> (b) Develops financial estimates for the operation, maintenance, and improvement of the station from the overall standpoint, and in relation to the assigned mission of the Center, emphasizing balance among work programs, functions and departments, and emphasizing continuity from year to year.
>
> (c) Develops alternative financial plans for possible varying levels of Center activity, workload, and financial support.
>
> (d) Analyzes the effect on financial and manpower requirements which will result from any changes in organization or mission and tasks of the Center; makes appropriate recommendations for necessary changes in funds and manpower allocations.
>
> (e) Develops forms and general guideline instructions for submission of budget estimates by Component commands.
>
> (f) Coordinates the various phases of estimate preparation to insure compliance with basic policy, adherence to approved program plans, coverage for all functional

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[14] Change I to the National Naval Medical Center Organization Manual, p. 133.

areas requiring funding, and maintenance of established time schedules.

(g) Reviews Commands and department budget submissions for validity of back-up data and overall balance between dollars, personnel, facilities, and workload; consolidates submissions into an overall Center budget; and recommends to the Comptroller approval, revision, or disapproval of individual items included in the consolidated budget.

(h) Reviews and analyzes unit-cost criteria used in developing financial requirements in relation to planned workload.

(i) Directs preparation of exhibits, charts, graphs, and other visual presentations to support the budget, and consolidates Center budget submission.

(j) Assist the Comptroller in justifying the Center budget before higher echelon reviewing authorities.

(k) Recommends to the Comptroller initial allocations of funds and civilian personnel ceilings to Center Commands and departments, and revisions thereto, based on workload, planned programs and work measurement statistics.

(l) Prepares general instructions for determination of the propriety of charges to the various Center funds.

(m) Determines applicability of Center funds to the various work projects.[15]

Perhaps the most important specific function of the Deputy Comptroller, and one that was mentioned earlier in this chapter, is the responsibility for the design of fiscal accounting systems. As stated previously, it is in this area that considerable difficulty could be encountered if the full cooperation of all areas of the organization are not attained.

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[15] Ibid., pp. 133-134.

It is recognized that, in spite of the fact that all directives pertaining to accounting systems are issued in the name of the Commanding Officer, the day-to-day relationship required in the implementation and interpretation of systems directives must be maintained within an aura of mutual dependence. The direction of accounting information systems are perhaps the sole operational duty of the Comptroller in the strict sense of the phrase, but it is upon these same systems that the validity of the Comptroller's analytical responsibilities rest. Without a responsive data collection system the Comptroller's advisory function is inoperable.

The Deputy's responsibility for design of accounting systems is actually twofold in nature: on the one hand he designs systems for internal reporting and on the other he interprets policies external to the command that pertain to reports required by outside activities. The integration of these two separate requirements are often a complex process.

The other broad category of responsibilities of the Deputy Comptroller are in the area of management improvement. These responsibilities are performed through the means of consultive service to management. The separate commands responsibility for the fiscal performance of their activities requires the interpretive services performed by the Comptroller and his Deputy. In practice the Deputy advises and consults with the commands on the budgetary and financial aspects of major program plans, and participates in evaluating the

effectiveness and efficiency of program operations in relationship to goals and objectives implied by budget and program planning. This service insures the command manager's awareness of operating costs and specific problem areas that are developing. Some of the more formal methods used to promote this awareness are discussed in the next chapter. Informally the process of advising management as to the implications of financial decisions is a continuing process of verbal communication between the commands and the Office of the Comptroller. This consultive service is in many ways an educational process designed to stimulate management interest in better methods of financial management and improve the techniques that lead to more economical performance of activities.

In addition to these specific responsibilities the Deputy oversees the operations of the subordinate branches of the Comptroller's Office and has overall responsibility for the functions performed by the two branch heads. He provides a "linking-pin" function between the inner direction of the subordinate functions of the Office and the necessarily outward orientation of the Comptroller.

The Comptroller's executive duties are made up of three parts: he coordinates the financial management activities of the Center and component commands and acts as an advisor to the commands on financial matters; he is the fund administrator of the command and in this respect acts in the name of the

Commanding Officer; and, he is responsible for the establishment and proper functioning of the activity accounting systems to provide sound financial management.[16] Another statement of this tripartite responsibility is provided by the basic Center Instruction concerning financial management:

> The Comptroller is designated to administer all appropriated funds authorized for the National Naval Medical Center and is responsible to the Commanding Officer for their use in accordance with all applicable laws, regulations and administrative orders, as well as the requirements of the Commanding Officer. Further, the Comptroller is responsible for effective accounting procedures and controls for internal management that will assist the National Naval Medical Center in its mission. Additionally, the Comptroller shall be responsible for the submission of all budget and financial plans to the Commanding Officer via the Budget Advisory Council to ensure continued fiscal integrity of the National Naval Medical Center.[17]

The personal responsibility of the Commanding Officer for funds allotted to the Command is well established.[18] In operation it is impossible for the Commanding Officer to exercise personal control over each act of a subordinate which results in an obligation or commitment of appropriated funds. The Fund Administrator, under his appointment by the Commanding Officer, is responsible for the use of the funds in accordance

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[16] Ibid., p. 131.

[17] National Naval Medical Center, Bethesda, Maryland; Instruction 7600.2A, dated 30 June 1962; Subject: "Financial Management"; p. 2.

[18] Navy Comptroller Manual, Office of the Comptroller, Navy Department, Washington, D. C.; Volume 3, Section 032002.

with applicable regulations.[19] A further extension of this responsibility is the requirement that the Comptroller, as fund administrator, assign operating funds as target allowances to the various Program Managers.[20]

The three phase responsibilities of the Comptroller are unalterably linked. Without the prerogative to design the station accounting system the Comptroller could not hope to perform his functions as fund administrator. The assignment of funds to a program manager requires a system of review of activity performance with these funds and the rendering of an advisory service to the operating managers. The Commanding Officer's responsibility for the overall operation of the activity requires a coordinative element in the financial areas of the operation. The Comptroller cannot be described as the financial manager of the Center but as the coordinator of financial management activities. His basic functions are the core of the radiant financial management activities of the Command.

The various units of the Comptroller organization best describe the functioning of the comptroller activities. The processes performed by the separate units provide the Comptroller with information on the financial affairs of the activity and the character of financial management. The

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[19] Ibid., Section 03003.

[20] National Naval Medical Center; Instruction 7600.2A, p. 1.

usefulness of this information depends upon the Comptroller's ability to transform this information into action. It is here that the consultive nature of the comptroller function becomes predominate.

The various formal information systems utilized by the financial managers of the Center complex will be discussed in the next chapter. The reports generated by these systems are guides to the financial managers of the activity. The value of this information depends upon the ability of the Comptroller to translate the data into a form meaningful to each individual manager. This basically educational function is performed through the day-to-day relationship between the Comptroller and the operating managers. The present success of this relationship is the result of the play-back between the expressed goals and objectives of the managers and the Comptroller's understanding of the financial means to accomplish the results desired.

CHAPTER V

BUDGETING AND FINANCIAL PLANNING

The annual budget and the financial plan provide the coordinative scheme for financial management at the National Naval Medical Center. They are the basis upon which the Commanding Officer performs his functions as a coordinator of the programs and activities of the Command. The Comptroller, as the Commander's agent, uses this documentation of the Command objectives as the point-of-control over the financial affairs of the command. While the preparation of these documents are required by the Bureau of Medicine and Surgery, they are designed to provide both internal and external management with information upon which to base operating decisions.[1]

A budget and a financial plan are normally throught of as being synonymous. Contrary to this, at the Medical Center the financial plan is a direct outgrowth of the budget submitted to the Bureau of Medicine and Surgery. Navy medical department activities do not participate directly in the national budget process below the Bureau level. Program and

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[1] Financial Management Handbook, (NavMed P-5020), Comptroller Division, Bureau of Medicine and Surgery, Department of the Navy, Washington, D. C., 1961, Chapter 1, Parts 2 and 3.

budget planning are performed at the bureau level based upon the continuing data generated through the information system. The field activity participation in the budget process, beyond the normal generation of reports, commences in the preliminary execution phase. In May of each year the Bureau requests that field activities submit their proposed budgets for the fiscal year to commence two months later. Normally, the annual military appropriations have not been passed by Congress at this time but preliminary sketching of allotments is possible in anticipation of the likely amounts to be granted. Upon the receipt of the appointment, normally in July, these preliminary outlines of allotments are translated into the actual allotments that are awarded to the activities. The budget process at the Center Command is based upon the estimate of requirements to accomplish the programs and activities specified for the Command by the Bureau of Medicine and Surgery. It is through this specification of responsibilities that the budget planning of the Command and the Bureau are linked even though the two budget processes are separate and a year apart.

The formal budget process at the Center commences with a letter from the Commanding Officer to the program managers outlining the format and content of the estimate of budgetary requirement to be submitted by them to the command. Informally the Program Managers have been accumulating the data necessary to submit their requirement on a continuing basis. The Center

Commander requires that equipment programming by subordinate commanders be a continuing process throughout the year so that at the time of budget submission the information provided will reflect a well considered program of equipment requirement.[2] Depending upon the organization, the Program Manager, may, or may not, have their various departments or activities, actively participate in the estimation process. Appendix D is a sample of the notice issued by the Center Commander directing the method of submission of budget estimates. Usually this Notice is issued the February before the commencement of the fiscal year upon which the budget is to be based. The Notice does not specify a date when the estimates are to be submitted but provides for its readiness upon call.

The Comptroller and his staff work actively with the Program Managers and their subordinates in the collection and estimation of specific requirements to be included in their budget requests. The Comptroller, even at this point, is engaged in coordinating of requirements of the various activities on a preliminary and advisory basis. The actual, and formal coordination is performed through the means of the Budget Advisory Council. The council, appointed by the Commanding Officer, meets upon formal submission of the estimates to assist in the decisions necessary to prepare the

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[2] National Naval Medical Center, Bethesda, Md.; Instruction 4235.2, dated 11 January 1961.

budget letter to be submitted by the Command to the Bureau.[3] In preparation for the council meeting the Comptroller collates the various estimates and formally presents to the Advisors the proposals and any additional pertinent data that is available. The council's position on the budget is then prepared by the Comptroller for the Commanding Officer's approval, possible modification, and submission to the Bureau.

As indicated in Appendix D, the budget estimates are submitted by categories of requirements anticipated to be included in the Bureau request for estimates. Informally, guidelines can be obtained from the Bureau on a tentative basis and usually are. As a perusal of Appendix D indicates, the format of the estimates are along object lines with special categories separated to follow the funding practices of the Bureau of Medicine and Surgery. In addition requirements are broken down by the component commands and quarterly periods.

Upon receipt of the fund authorization by the Command from the Bureau of Medicine and Surgery the council meets again to adjust the Budget to the funds that have been allotted. The original collation of the budget estimates was a process of translating programs and activities into fund requirements. The process is now, essentially, reversed into translating

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[3] Commanding Officer, National Naval Medical Center, Bethesda, Md.; letter dated 1 March 1962, Serial Number 10700; Subject: Appointment of the Budget Advisory Council.

funds provided into programs and activities. Quite often the programs and activities of the Command as spelled out in the mission of the organization are not considered to have been fully funded. In the case of equipment items that are funded separate from the operating portion of the allotment the mandate of the Bureau is obvious; in other categories the intent, if any, of the Bureau is less obvious, and it requires considerable soul-searching on the part of the Council to present an operating plan to the Commanding Officer.

This operating plan, is formally known as the "financial plan." It is preared by the Comptroller, based upon the deliberations of the Advisory Council. When approved by the Commanding Officer it serves the whole command as a guideline for that year's operations. The Plan breaks down the allotted funds into segments to be awarded to the Program Managers as target allowances. Each program is further subdivided into fixed and variable expenses and, where applicable, estimated reimbursables are indicated as deductions from total. A copy of the Plan and any subsequent modifications are submitted to the bureau. The bureau specifies that modifications of the plan should not destroy the identity of the original plan as it provides the basis for comparison of planned performance against actual performance.[4] In addition, it is

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[4] Financial Management Handbook, p. 1-2-1.

subject to review by the Navy Comptroller Area Audit Office when the Command is audited.[5]

As will be discussed in the next chapter the financial plan is the basis upon which reports to Program Managers are submitted. Internal to the Command it is the basis upon which variance from planned is determined and, as such, it provides the Commanding Officer with a measure of control over subordinate activities on an on-going basis. In addition, quarterly, a Financial Performance Report is submitted by the Command to the Bureau of Medicine and Surgery.[6] The format of this report is comparable to that of the financial plan previously submitted, and it provides the Bureau with management and planning information. Included in this report are performance indicators such as total personnel on board, daily average patient census, number of work orders processed, etc.[7]

The comprehensiveness of this report makes it valuable to the Command, but it does not provide a substitution for the daily and weekly information necessary to properly manage the activity. It is significant to local management as a measure of performance as compared to other activities of a similar nature required to report in a like manner to the Bureau. Annually the Command is provided with a copy of the portions

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[5] Ibid.

[6] Ibid., p. 2-8-1.

[7] Ibid., p. 1-2-3.

of the Navy Program Progress Reports to be submitted to the Secretary of the Navy that pertain to Navy medical care. While the various different commands cannot be considered as comparable because of local conditions it does provide some insight into trends that are developing.

CHAPTER VI

REPORTING SYSTEMS

Before attempting to detail the reporting systems utilized by the Command in financial management of the activity it might be well to outline the command organization for financial management utilized by the Program Managers. Linking program management largely to the command structure (the exception is the Maintenance Department of the Center Command--the Head of which is essentially a Program Manager) provides a ready made organization for financial management. The department heads within each component command are responsible to their respective commanding officers for the fiscal related activities of their segment of the organization. Coordination of these fiscal activities is provided by a Fiscal Liaison Officer appointed within the separate command. Depending upon the size of the component organization, the responsibilities assigned to the liaison officer may be either a primary duty or a collateral assignment. Besides coordinating the internal requirements of the component unit he provides day-to-day working liaison between his organization and the Office of the Comptroller.

Each command has its own method for controlling the spending of target funds. In most cases the fiscal liaison

officer operates within a monetary limitation or other policy directive imposed by the activity. Within this authority the liaison officer may approve material or service requests that impose a financial obligation upon the Program Manager's target allowance. The liaison officer, in addition, coordinates the budget activities of his command and acts as a staff advisor to his commanding officer in fiscal matters. Because of the decentralized nature of the Center Command the fiscal liaison officer acts in respect to his command, much as the Comptroller and the Head of the Fiscal and Supply Department of the Center do to the Center Commander.

At present plans are being formulated to formally increase the responsibility of the department heads of the various commands for the financial management of their activities. This in effect creates subtargeting of funds within the program manager's target allowance. This further decentralization of responsibility for financial management will bring the reported expenditure of funds closer to the actual application of resources. Of course this will not relieve the program managers of their direct responsibility to the Center Commander for the proper management of targeted funds.

The direct link between the Comptroller and the Program Managers is provided by a weekly report of status of targeted funds. This report is a by-product of the Integrated Cost Reporting System that provides posting advice for allotment and cost accounting. As submitted to the Program Manager it

provides up-to-date information on the balance of funds remaining after deduction for commitments. The Comptroller provides comment in writing or verbally as necessary to point-up the significance of the data to the Program Manager. This report also provides the Comptroller with the information necessary to apprise the Center Commander of the activities of his Program Managers.

On a monthly basis the Program Manager is provided with a report of Gross Obligations to date for his activity. In addition each designated department head of the Program Manager's activity is provided with a similar report for his individual department. This report segregates obligations by object classes and is broken down into activities of the particular department. Again, this report is a by-product of the Integrated Cost Reporting System designed for Medical Department activities.

Another collateral report produced by the Integrated Cost Reporting System and provided to the Program Managers is a monthly report of job order costs attributable to the manager's activity. This report is an outgrowth of the Controlled Maintenance Program at the Medical Center and is but one aspect of the financial information to management provided by the Program. It also allows management to request maintenance work based upon an estimate of the cost likely to result. For the Comptroller's purposes the Controlled Maintenance Program also provides a monthly statistical

report on the efficiency of the Public Works Department and a consolidated Cost Distribution report.

These are only a few of the reports available to the Center Commander, Comptroller, and the Program Managers and their subordinates. The major criticism that I could find was the inability of the Program Managers to assimilate and comprehend the data that was being provided. I believe the solution to this difficulty is twofold: on the one hand it might be feasible to provide the Program Manager with information on problem situations only; in turn it would be necessary to reinforce the Fiscal Liaison Officer's ability to truly act as advisor and agent for the Program Manager in the day-to-day operation of the activity. It would be the Comptroller's responsibility to design a "management by exception" reporting system that would meet the requirements of each individual Program Manager. Much of the design of such a system would depend upon the personalities and individual differences involved. The development of the fiscal liaison officer's advisory responsibilities depends upon the individual commander's ability to recognize the need for an agent who can act for him in the day-to-day affairs of his organization. I believe the Comptroller could prompt this recognition through his dealings with the Program Managers. It may not be feasible but the worthwhileness of the liaison officers might be increased if he could more directly participate in the

activities of the Budget Advisory Council.

The Command feels itself open to criticism for establishing an organization for financial management parallel to the line organization. I believe this criticism would be unjustified in light of the actual situation that exists. The criteria for decentralization of comptroller functions that are well accepted at the present time are the size of the organization and the distance of the subordinate facilities from the home office.[1] Although the size of the organization might be considered a factor at the National Naval Medical Center what one may consider as even a more important factor ruling for some decentralization of the advisory function is the high degree of professionalism that exists in the organization. The decentralization of financial management responsibilities to management oriented subordinates is an effective provision of supportive service to the professional arm of the Command.

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[1] H. A. Simon, Harold Guetzkon, G. Kozmetsky, and G. Tyndall, Centralization vs. Decentralization in Organizing the Controller's Department, (Research Report prepared for the Controllership Foundation, Inc., New York: 1954).

CHAPTER VII

A SUMMARY EVALUATION OF THE COMPTROLLER FUNCTION

Appendix E, an excerpt from the Bureau of Naval Personnel training manual, Financial Management in the Navy, provides a listing of the specific duties normally assigned to the Navy field activity comptroller.[1] The comprehensiveness of this listing provides a benchmark for the evaluation of the range of the Comptroller functions at the Navy Medical Center. This is not to say that the failure to include all of the functions listed indicates that a particular field activity is derelict in the performance of its financial management responsibilities, nor does the inclusion of other duties in the comptroller function indicate an inordinate broadening of his responsibilities. The design of the comptroller function at a field activity hinges upon the peculiarities of the organization and its mission.

The specific duties listed in the training publication are broken down into four categories: station budgeting, station program performance analysis, station accounting and disbursing, and station internal review. The area of station accounting and disbursing can be immediately eliminated from consideration--these functions are performed within the fiscal

and Supply organization at the Medical Center. While one might be accused of being a member of the group that advocates placing the comptroller in an "ivory tower," it is believed that the comptroller can better perform his staff advisory function if he is relieved of as much internal line responsibility as possible. It is also much easier to monitor an ongoing accounting system when the reviewer is not a member of the organization responsible for the operation of the system.

An overall evaluation of the first group of functions, station budgeting, reveals a considerable correlation between the functions described as normally conducted by the comptroller and those actually performed by the Comptroller at the Medical Center. One noticeable exception that threads through various of the functional areas described, is the matter of workload statistics and unit-cost criteria review and analysis. In Chapter IV of this report the problems surrounding the development of workload statistics are discussed. The Comptroller at the Medical Center recognizes the problem and is actively engaged, in cooperation with the Bureau of Medicine and Surgery, in analyzing the requirements for unit-cost at a medical facility. Traditionally, costs have been hinged to patient day or out-patient visit. This is not a sufficient measure of performance because of the diversity of costs associated with particular diseases. The development of valid workload factors is an attainable goal, and it is through the concentration upon comptrollership concepts in the financial management of our medical facilities that these measurable factors will be

developed.

Another area in this same grouping of comptrollership functions, and one that is related to the problem of unit cost factors, that is not fully developed at the Medical Center, is the matter of developing alternative financial plans in anticipation of changing workload or financial support. The anticipation of disease in a fixed population is a very nebulous matter, but this is only of short-run concern. The anticipation of changes in population being supported is another matter; luckily the degree of support required has been fairly constant and does not fluctuate in a manner familiar to a shipyard or other naval support facility. The Comptroller of course is aware of the possibility of fluctuation in workload and is responsive to the minor shifts that do occur; however, the formal preparation of alternative financial plans is not a consideration at the Medical Center.

In the second category of functions, station program performance analysis, the same problem of developing workload statistics is involved. The development of collecting systems for collection of workload data is performed to the extent that this data is meaningful to management. Again, the full development of collecting and integrating systems is dependent upon the development of meaningful cost criteria. In one area of cost information the collecting and integrating process is highly developed--that of the Controlled Maintenance program, discussed in Chapter VI.

The final function listed in the second category, as shown in Appendix E, is not a responsibility of the Medical Center Comptroller. The work measurement program is a responsibility of the Head of the Data Systems Division in his collateral duty as Special Assistant to the Office of the Commanding Officer in matters pertaining to increasing management efficiency. That this function should be a function of the Comptroller could be discussed because of its relationship to financial management; however, it is beyond the scope of this report. There is an excellent working relationship between the Comptroller and the Data Systems Division that has benefitted the control processes at the command.

In the final category, station internal review, the functions listed are fully implemented within the Comptroller organization. As discussed in Chapter IV, it is in this area that the fullest development of the comptroller function has taken place. It is believed that the management of the Command should reflect upon the direction in which they wish the function of operational audit to move. The author was unable to determine the command objectives in the area of "maintenance of organizations" other than to note the decentralization of the Work Improvement Program as a subordinate command responsibility.[2] In order for the Comptroller to

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[2]National Naval Medical Center, Bethesda, Maryland; Instruction 5202.1 dated 31 January 1961; Subject: Work Improvement Program.

effectively become a motivating force within the organization there must be an operative internal structure within the command that can take coordinative action upon his recommendations.

Another observation, noted in Chapter VI, that should be pointed up in this summary evaluation, is the matter of the status of the financial liaison function within the subordinate commands. The day-to-day financial management functions of the Command are performed throughout the organization. The link between the Comptroller organization and these functions is through the Liaison Officers. It would appear that the strengthening of the formal responsibilities of these supportive units would add and not detract from the comptroller function itself. An auxiliary benefit, and one that is within the mission of the Center and subordinate commands, is the opportunity that the liaison function provides for the training of junior officers in the tasks of financial management.

The author believes that these two observations concerning the fiscal liaison function and the operational audit function bring out the essentially formal nature of organization that exists in the relationship of the Comptroller to the Center complex. The concept of comptrollership is new to the organization and there has been insufficient time for informal relationships to solidify. This provides an excellent opportunity for thought to be given to the horizontal organizational links which will be most beneficial to effective financial

management. Figure I, page 61, graphically presents a concept of vertical and horizontal relationship of the comptroller function, as it is established at the Medical Center, to the total Center complex. The vertical relationship is essentially as described in this report and is based upon the formal organization as it now stands. The horizontal relationship, which usually is noted to provide the day-to-day operation of every function, is only in its rudimentary form at the Center because of the newness of the comptroller function. The author places the management audit function in this horizontal sphere because of the essential requirement that the function cross departmental and command lines. While the writer advocates a decentralization of the fiscal liaison function, he believes that the management audit function should be centralized. Again, no specific recommendations have been made as to what manner this should be accomplished. The concern of the comptroller in these matters of horizontal relationships is obvious. In order to provide an effective advisory function to management through the liaison arrangement, the review function must have some constructive outlet to the total organization. In turn, the tailoring of management systems and procedures through the operational audit function provides the means for more efficient financial operation--a prime responsibility of fiscal liaison. The Comptroller is the link in this particular aspect of the horizontal organization.

With these specific observations noted, it is time to

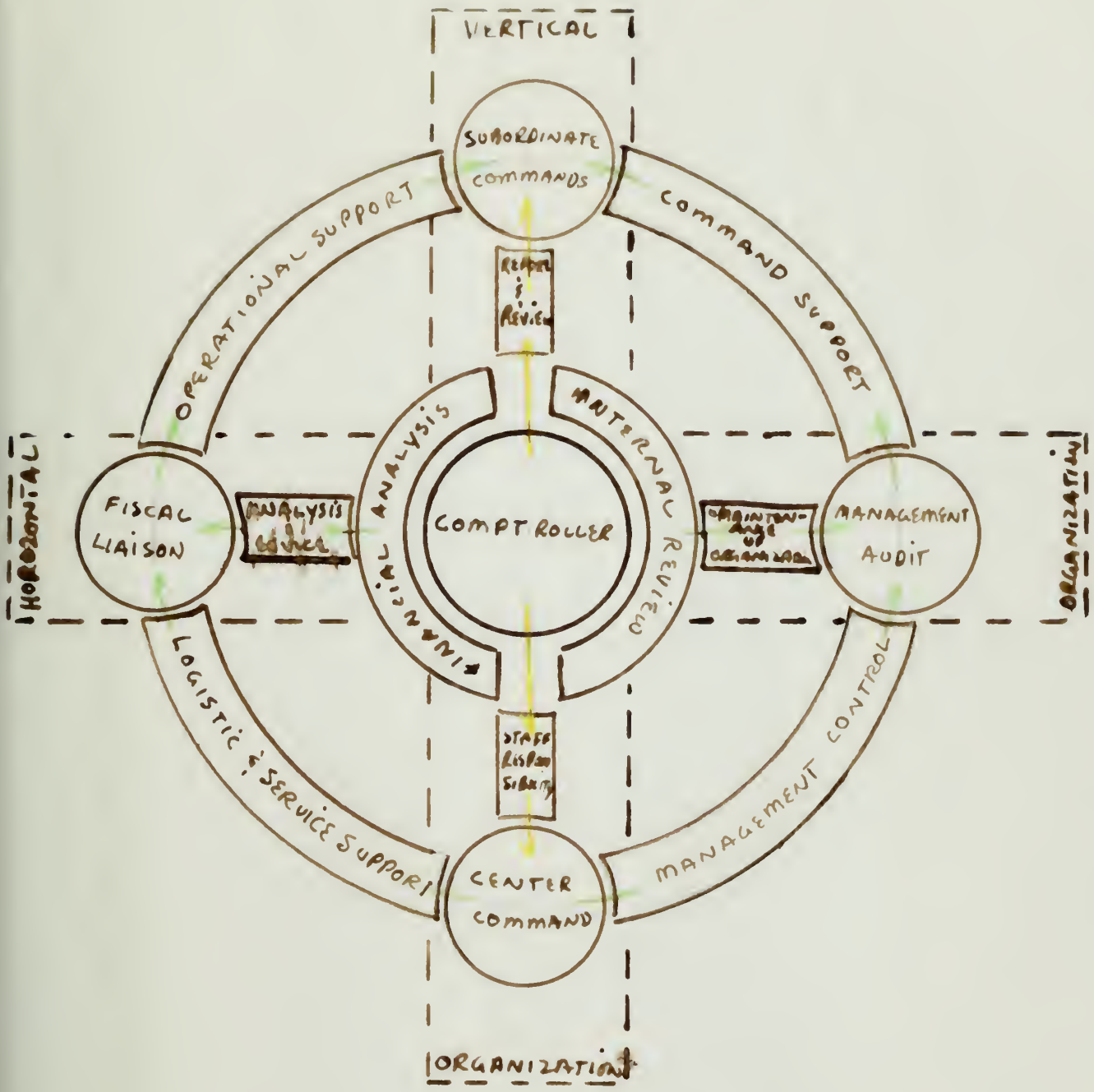
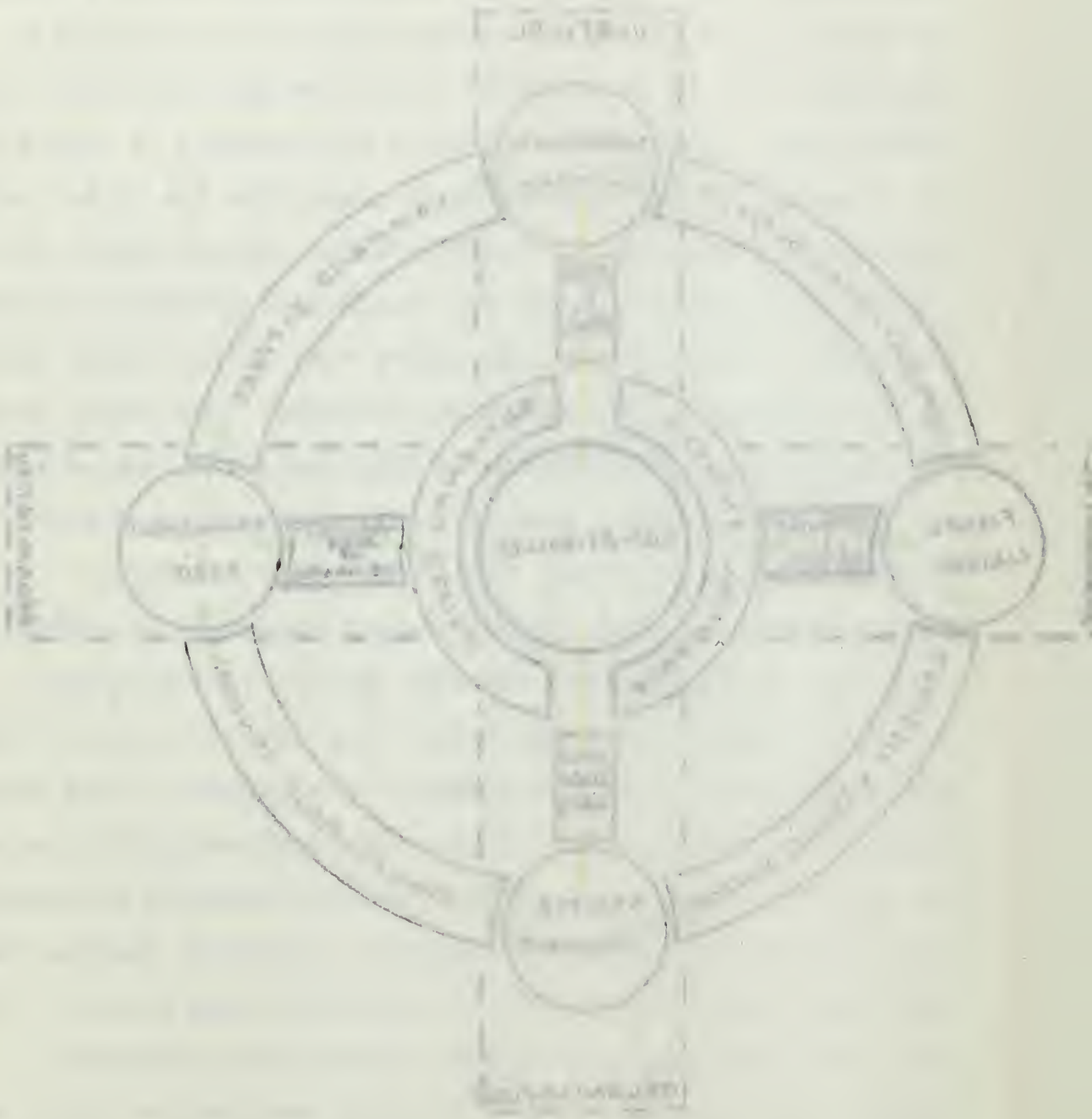

VERTICAL
SUBORDINATE COMMANDS
OPERATIONAL SUPPORT
COMMAND SUPPORT
FINANCIAL ANALYSIS
MATERNAL REVIEW
COMPTROLLER
FISCAL LIAISON
MANAGEMENT AUDIT
LOGISTIC & SERVICE SUPPORT
MANAGEMENT CONTROL
CENTER COMMAND
HORIZONTAL
ORGANIZATION

FIGURE I



turn to an overall look at the influence which comptrollership has had upon the organization. It cannot be said that there is any dramatic evidence of the impact of comptrollership upon the financial management of the National Naval Medical Center. Effective financial management has been the goal of Navy medical administration for many years, and it will continue to be a goal at those activities which, because of size or organizational arrangement, are unable to support a formal comptroller organization. What is noticeable at the Medical Center is a new concentration upon the problems of financial management. The institution of a comptroller organization within the Center Command has broadened the financial management function. There is an attitude of greater participation in the financial problems of the Command by all echelons of the organization. Comptrollership has allowed a concentration upon the communicative aspects of financial management. External reporting requirements no longer receive the major emphasis from management, but a new concern has developed over the practical value of financial reports and analyses for internal use. Financial management, in the past, has often been the sole concern of two or three individuals in the naval hospital organization--a concern with getting sufficient monies to support the operations of the command. Comptrollership at the Medical Center has increased the emphasis upon more efficient use of the funds received by obtaining the cooperation and assistance of operating personnel.

There is a continuing necessity for the Comptroller to indoctrinate management as to the value of comptrollership to the organization. This will be a never ending process--one which depends upon the recognition of the individual manager that his tasks can be accomplished more efficiently and effectively through use of the concepts of financial management. The Comptroller must remain aware of the overall operation of the command and the problems of the individual managers so that assistance can be offered rather than wait for assistance to be requested.

BUMED-46
29 Mar 1962

From: Chief, Bureau of Medicine and Surgery
To: Commanding Officer, National Naval Medical Center, Bethesda, Maryland

Subj: Establishment of Comptroller Organization at NNMC, Bethesda on a trial basis

Ref: (a) NNMC ltr NNMC-C-06-emc, 5400, Ser 6130 of 15 Feb 1962
(b) BUAER Instruction 5451.11B of 10 May 1957
(c) OPNAV Instruction 5450.61 of 11 June 1959

1. The Bureau is in agreement with the proposal contained in reference (a) for the establishment of a Comptroller Organization at the National Naval Medical Center on a trial basis for a one year period.

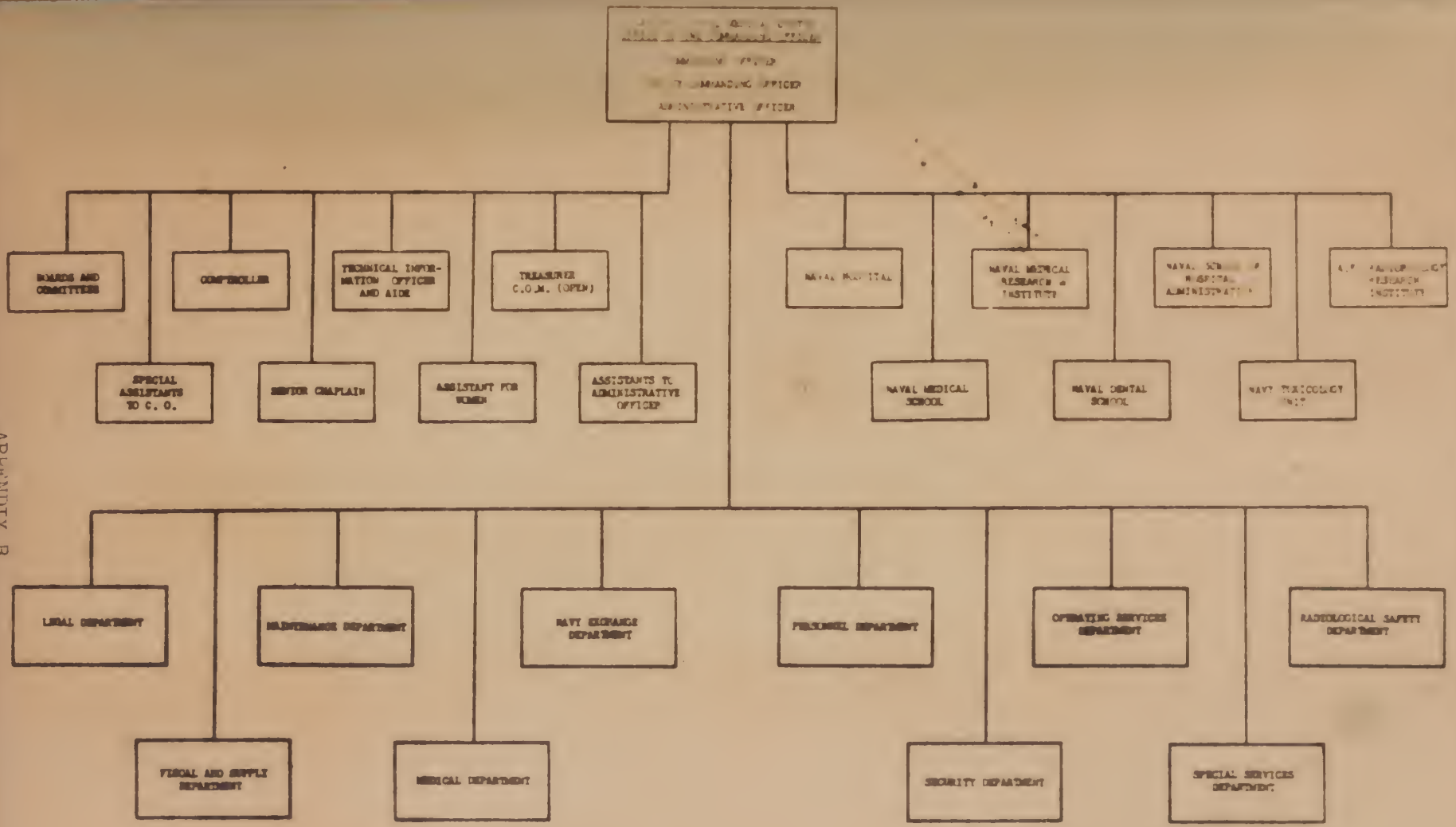
2. It is considered that the maximum potential is not likely to be realized from the basic functions of comptrollership unless formally organized at certain activities. Experiences of other Bureaus and offices have substantiated this impression in recent years at installations where the scope of operations and financial management problems are less complex than at NNMC and certain other BuMed activities. The criteria for determining need for a formal Comptroller organization at Naval Stations and at Naval Aeronautical Shore Activities, references (b) and (c), have proved to be sound.

3. The installation of the Comptroller concept at NNMC for a period of one year is approved and should assist this Bureau in a determination of policy applicable to all its managed activities. The prime criterion should be the development of a fully coordinated staff service to assist the Commanding Officer in the efficient, economical and timely attainment of assigned missions. In addition to more effective use of resources by NNMC, it is anticipated that there may be economies in the resources and staff now devoted to fiscal and supply operations throughout the command.

4. The initiative demonstrated by your request is appreciated. Collaboration by this Bureau in the program, to the extent indicated by your Command, is desirable.

E. C. KENNEY

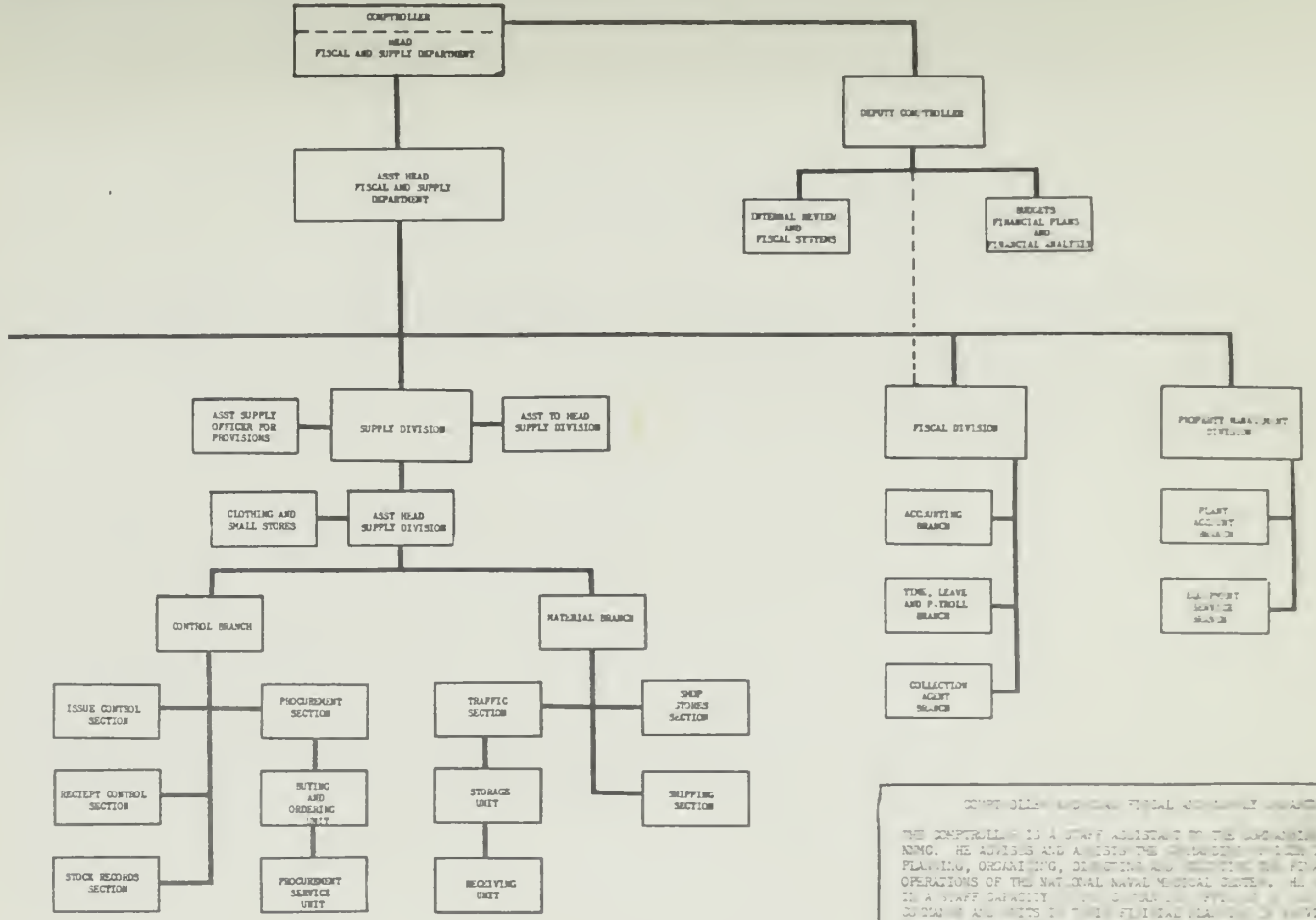
APPENDIX A



NOTE: NNMC IS THE PARENT ACTIVITY OF THE FOLLOWING COMMANDS AND UNITS: NP, NAS, NRMI, NDR, NRNA, NTU, AND AFRRI. THE COMMAND RELATIONSHIP OF THE CO, NNMC TO THE COMPONENT COMMANDS IS SIMILAR TO THAT OF THE NAVAL BASE. THE CO, OFFICER-IN-CHARGE, OR DIRECTOR OF EACH COMPONENT COMMAND EXERCISES NOT ONLY AUTHORITY COMMENSURATE WITH HIS RESPONSIBILITIES FOR OWN COMMAND, BUT ALSO CONTRIBUTES TO THE EFFECTIVENESS OF THE MEDICAL CENTER AS A WHOLE. THE ENTIRE CENTER ORGANIZATION AFFORDS STAFF AND LOGISTIC SUPPORT TO THE COMPONENT COMMANDS. THE COMPONENT COMMANDS WILL EXERCISE STAFF RELATIONSHIP WITH THE PARENT ORGANIZATION DEPARTMENTS.

DATE APPROVED:	APPROVED:	Title of Parent Organization	Title of Field Activity	MASTER ORGANIZATION CHART
20 October 1952	R. B. BROWN RADM MC USN COMMANDING OFFICER	Bureau of Medicine & Surgery	National Naval Medical Center	

NAVMED 1000 (Rev. 1-52)



[redacted]

Parent Organization	Title of Field Activity	This is an organizational chart for internal control
Bureau Of Medicine and Surgery	National Naval Medical Center	

LISTING OF SPECIFIC DUTIES NORMALLY ASSIGNED TO FIELD ACTIVITY COMPTROLLERS AS CONTAINED IN THE NAVY TRAINING PUBLICATION, FINANCIAL MANAGEMENT IN THE NAVY.*

STATION BUDGETING:

In the area of budgeting, the local comptroller:

1. Serves as advisor to the commanding officer, executive officer, budget or planning board, department heads, and other levels of management on budgetary policy and planning matters.

2. Reviews and analyzes planned personnel and workload to coordinate these items with financial estimates.

3. Develops financial estimates for the operation, maintenance, and improvement of the station from an overall standpoint, and, in relation to its assigned mission, emphasizes continuity from year to year and balance among work programs, functions, and departments.

4. Develops alternative financial plans for possible variations in workload and financial support.

5. Analyzes the effect on financial and manpower requirements of proposed changes in station organization, mission, or tasks, and as appropriate, recommends changes in funds and manpower allocations.

6. Develops forms and general guidelines for submission of budget estimates by station department heads.

7. Coordinates the various phases of estimate preparation to ensure compliance with basic policy, adherence to approved program plans, coverage of all functional areas requiring funding, and maintenance of established time schedules.

8. Reviews department budget submissions for validity of back-up data and overall balance among dollars, personnel, facilities, and workload; consolidates department submissions into an overall station budget; and recommends to the commanding officer approval, revision, or disapproval of individual items included in the consolidated budget.

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*Excerpts from the publication Financial Management in the Navy, (NavPers 10752-A); Prepared by the Bureau of Naval Personnel, Navy Department, Washington, D. C., 2nd ed. 1962, pp. 28-30.

9. Reviews and analyzes unit-cost criteria used in developing financial requirements in relation to planned workload.

10. Directs preparation of exhibits, including charts, graphs, and other visual presentations, to support the budget; and prepares the budget in final form for submission to higher authority.

11. Assists the commanding officer in justifying the station budget before higher reviewing authorities.

12. Recommends to the commanding officer initial and revised allocations of funds and civilian personnel ceilings to station departments, based upon workload, planned programs, and work measurement statistics.

13. Prepared general instructions for determining the propriety of charges to various station funds.

14. Determines applicability of station funds to the various work projects.

STATION PROGRAM PERFORMANCE ANALYSIS:

In carrying out his responsibilities for program performance analysis, the station comptroller:

1. Develops and recommends reporting systems for collecting and integrating cost and work measurement (workload and man-hour) data to facilitate staff analyses of the effectiveness of fund, material, and manpower utilization in performance of the station mission.

2. Examines workload, cost, and personnel utilization trends, analyzing variances from plans; and recommends remedial action, as appropriate, when variances are excessive.

3. Initiates plans for controlling commitment and obligation, of station funds; and recommends appropriate internal reports to show rate of progress in utilization of funds.

4. Reviews rates of commitment and obligation of station allotments and suballotments or departments' planning authorizations, highlighting problem areas.

5. Prepares, for distribution to top station management, charts, graphs, and other recurring progress reports reflecting the status of major programs; and highlights problem areas.

6. Conducts special studies to determine relationship among planned workload, personnel, and facilities, taking into consideration material available without charge to station funds.

7. Provides a central review and coordination point for data and reports concerning financial management, personnel utilization, station performance (related to man-hour or dollar planning estimates, or to standards) and work measurement.

8. Monitors operation of the management bureau's work measurement program (where there is such a program) and prepares summary work measurement reports both for station use and for submission to the bureau.

STATION ACCOUNTING AND DISBURSING:

In the area of accounting and disbursing, the comptroller of a field activity:

1. Maintains official accounting ledgers and supporting subsidiary records covering commitment, obligation, and expenditure of all funds made available to the station.

2. Conducts or provides technical supervision over timekeeping operations throughout the station.

3. Maintains plant property accountability records and supervises and coordinates the taking of physical inventories of plant property.

4. Maintains dollar accountability records for inventories of material, equipment, and supplies carried in the stores account.

5. Maintains civilian pay, leave, and retirement records.

6. Prepares and pays civilian payrolls.

7. When authorized, pays military payrolls and public vouchers, and issues savings bonds.

8. Compiles job order and other accounting data.

9. Prepares and submits to station management and higher authority required accounting and financial reports.

10. Performs such other duties as may be prescribed in the Navy Comptroller Manual for a fiscal officer or division.

STATION INTERNAL REVIEW:

At installations where the internal review function is not of sufficient magnitude to warrant a separate staff, the comptroller performs this function. In doing so he:

1. Performs special analyses in comptroller areas and renders assistance in correcting any deficiencies revealed by formal audits, reports analyses, observation, or other means.

2. Conducts studies for the purpose of improving current local systems and procedures; makes recommendations to appropriate officials concerning these; develops new systems and procedures as necessary to improve station financial management, and assists in their installation. This duty includes adapting to local situations prescribed bureau and NavCompt procedures.

3. Develops and supervises programs for internal accounting control, including programs for administrative spot verification of labor and material distribution and other accounting transactions as necessary.

4. Provides, as necessary, for reconciliation of interrelated records maintained in station departments.

5. Assists in conducting audits of station nonappropriated funds.

6. Coordinates preparation, review, and maintenance of station and comptroller department instructions on financial management and recommends changes thereto.

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